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Report: Depository Assets Grow; Securities Investigations Lead to Consumer Restitution *DFI Issues Annual Report About Banks, Credit Unions, Lenders, Securities*

FRANKFORT, Ky. – (July 31, 2012) –Today the Department of Financial Institutions (DFI) released its 2011 annual report, which details improving asset quality for depository institutions, multi-state exams in mortgage and consumer restitution in investment fraud cases.

DFI supervises 155 state-chartered banks with total assets of \$45 billion and 25 state-chartered credit unions with total assets of \$1.8 billion.

While profitability measures are below historical levels, the improving economic conditions and the decline of the unemployment rate have helped asset quality to improve. The tier 1 leverage capital position of state-chartered banks was 9.82 in 2011, an increase from 9.51 the previous year. For state-chartered credit unions, total asset growth was 7.59 percent, up significantly from the previous year's growth of 1.07 percent. The rise can be attributed to increased growth in customer savings account balances.

"The DFI, in conjunction with financial institutions in Kentucky, remains committed to finding solutions to economic challenges facing the Commonwealth," said DFI Commissioner Charles Vice. "Sound risk management practices have positioned our state-chartered financial institutions to function as a catalyst for economic growth."

The Nondepository Division continues its proven track record of overseeing mortgage lending operations in Kentucky, regulating 2,573 mortgage loan originators and processors and 716 mortgage companies and brokers.

DFI staff has participated in multi-state mortgage examinations, which helped discover and correct underwriting and servicing problems at the national level. The division also supervises 1,000 other licensees, including check cashers, consumer loan companies, industrial loan companies and money transmitters. In 2011, the division conducted 1,232 examinations and assessed \$1 million in fines.

The Securities Division conducted 115 examinations in 2011. Investigations led to 26 administrative orders, one civil order and three criminal referrals.

Among these was a multi-state consent order with Morgan Keegan Company and Morgan Asset Management that resulted in approximately \$11 million in restitution for Kentucky investors. In addition, the Securities Division prepared to assume regulatory oversight of all investment advisors with assets under management between \$25 million and \$100 million as mandated by the Dodd-Frank Act.

“This annual report indicates that Kentucky’s financial services industry remains committed to helping our communities and residents deal with economic uncertainty,” said Vice. “DFI will continue to strive to be a leader in the financial regulatory process.”

The DFI annual report contains statistical and historical information regarding the financial services industry in Kentucky. For more information, or to view or download the entire report, visit <http://kfi.ky.gov/publications/Pages/annualreports.aspx>.

DFI, which traces its origin to the Banking Act of 1912, is an agency in the Public Protection Cabinet. For 100 years it has supervised the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI’s mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.